DTP VIEWS

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Value for Money – be prepared

– Sam McGrady, Director, DTP

'Value for money' is the phrase which has been on everyone's lips in recent weeks. A spotlight is once again shining on the social housing sector's efficiency, and there's little sign the light will be switched off anytime soon.

The government can certainly not be accused of sending mixed messages. It has been pretty clear where its focus is going to be. RPs are seen as inefficient, expensive to run, not building enough new homes (for sale), and fostering welfare dependency. The recently publish HCA report this month into RP operating costs in the sector is unequivocal. The HCA will, in future, "increasingly challenge providers on their approach to efficiency, as part of its regulation of Value for Money". Don't say they didn't warn you.

The rumour mill is also turning. We are hearing on the grapevine that efficiency 'league tables' for RPs could be an idea whose time has come. That would certainly mean an even brighter spotlight shining on the whole sector.

Already, HCA Regulation Committee Chair Julian Ashby is firing warning shots across the sector's bows. His recent letter to more than 350 RPs pointed out that only half of the variations in operating costs could be accounted for by factors such as supported housing, regional pay differences, older person's housing, LSVT costs and deprivation. They want to know what accounts for the other half. The regulator wants to see a step change in operating efficiency and will be placing more and more pressure on RPs to free up latent resources.

Last year's announcement of a 1% rent cut for the next four years offered a foretaste of what was to come. And let's be clear about this, the government has its own reasons for imposing that cut, and it goes beyond a belief that efficiency is a good thing in its own right. Cutting RP rents has a direct impact on its own housing benefit bill, and will go down well with the number crunchers in the Treasury.

Many RPs have risen to the challenge and found ways to change the way they work and make savings. I've no doubt more can be done and it's actually quite inspiring to see how many housing associations are using this as an opportunity to think differently about how they work – to see if there is a smarter, more efficient way of doing things. My view is this doesn't have to necessarily mean pain for RPs. Improving operational efficiency can be good for an organisation – for its staff and its customers and stakeholders.

We are working with a number of RPs at the moment who are looking for ways to respond to the new Value for Money agenda. I'm encouraged by how many of them get it.

Many are turning to us for help with In Depth Assessments (IDAs) and Value for Money self assessments. Both offer important and practical lessons for RPs on how to face this challenge. In addressing VFM in an IDA, our approach is to set out firstly to help an RP to get all the facts in front of them. It's about asking some searching questions of everyone involved: what are your costs, what's driving those costs, and, where your costs are high, why?

Then you start a conversation: about your approach to operating efficiencies, how resources are used and how to make your assets work harder. It involves going over all an organisation's strategic documents – the corporate plan, the business plan, the asset management strategy, development strategy, value for money strategy. Are they fit for the purpose? Do they all hang together? Where are the gaps – which the HCA might identify? This has to be a bespoke exercise – there is no one size fits all approach.

Value for Money self assessments, similarly, require RPs to have to directly respond to the requirements of the HCA's VFM Standard, and the expectations of the self-assessment in terms of demonstrating VFM. The regulator's recent review of the 2015 self-assessments makes it clear that it remains unhappy with many RPs' responses. Cherry picking what is reported by way of costs, performance and peer groups is still an issue. Vague aspirations to be more efficient in the future won't be enough either. You need to say specifically how you will make changes and put numbers on your plans. The regulator wants to 'follow the money'.

The costs of failure are high: RPs can be downgraded for a poor VFM self-assessment (and I'm pleased to say we helped two organisations to turn that situation round last year). But if the strategic approach at the board level is the right one, the rewards can be high. And by rewards, I don't just mean being able to say you've jumped through all the regulator's hoops. You can come out of these often challenging exercises with an organisation which is better equipped to deliver on your purpose and meet the needs of all those who have a stake in it. That surely has to be something worth aspiring to?